CHAPTER 11

REVIEW OF LITERATURE

Small-scale industries have been given an important place in the economy of both developing and developed countries. The economic development achieved by many developed countries can be linked directly to the growth of this sector. In India the small-scale industrial sector has registered rapid growth. In view of the importance of small-scale industrial sector, the growth and development has attracted a good deal of academic attention. A large volume of literature thus available on the different aspects of small-scale industries has been studied at length. A brief review of such important studies is made here.

A. Studies Examining the General Problems and Prospectus of Small-Scale Units

The Japanese delegation, which visited India (1961), found that most of the facilities and concessions provided were in excess of their requirements and they warned that it would lead to continuous dependence of these units on the government.

Prasad (1974) in his study highlighted that small-scale industrial sector in India is small only in size but big in achievements.

A study conducted by Bhati (1976) states that in a majority of cases, units outside the industrial estates, showed higher rates of surplus.

Graham Bannock (1981) presents a vivid picture of the practical problems of the individual small business, showing how they relate to the wider issues of economic policy. He believes the release of the economic dynamisms inherent in the
small business sector could help to generate the social and economic change needed for the resumption of inflation-free growth.

Roy Roth Well and Water Zegveld (1982) reveal that SME have been and in general, continue to be, technologically innovative. Technology based new SMEs plays an important part in the emergence of new technology and in economic growth SME, particularly, young technology based SMEs also make an exceptional contribution to employment creation. Independent SME, and their larger counterparts, does represent an important vehicle for regional regeneration.

Narayana Reddy (1983) in his doctoral thesis reports that SSI units are to equip themselves with better and improved methods of marketing, disseminated through proper training programmes conducted by the Institute of Marketing, which may be started exclusively. Hence there is a need for creating the Institute of Marketing for small industry at national level.

Ram Vepa (1983) in his study reports that over the last 25 years a network of institutions and policies has been developed in the country but not all of them have been successful. But taken in totality, they have provided a well-organised frame works in which the small and cottage industry have been allowed to grow.

Vinayak, Shankarrao Bhoyar (1984) states that programme of Co-operative industrial estates coupled with Co-operatives in other related fields is a powerful instrument, which possesses the capacity to transform the backward area into advanced ones.

The task force on small-scale industries (1984) found that available subsidies and concessions are not distributed to eligible units at the right time. Such
assistance announced by the government are badly delayed for several reasons such as delay in issuing detailed orders, inadequacy of budget provisions etc.

Envying Chita and Carl Lied Holm \cite{10} [1985] in a comprehensive study of SSI in Sierra Leone provide a new insight into the role of SSI in providing production, employment and earning opportunities. Besides giving an overview of the role of the rural and urban Industry in Sierra Leone, the determinants of the demand for and supply of SSI products are examined.

The report of the sub group on small-scale industries for the Seventh Plan \cite{11} (1985) had found that the efforts of the government have not met with the same degree of success in different parts of the country nor have they removed the basic weakness of the small-scale sector.

Ashok Kumar Singh \cite{12} [1985] in his thesis made an effort to study the incentives and assistance provided by the government and the infrastructure facilities available in Bihar. A brief account of the potentialities and prospectus of SSI in Bihar is also given.

Tara Nand Singh Tarun and Devandra Thakar \cite{13} (1986) reveal that the fundamental problem of Industrial development in India is the problem of transplanting and acclimatizing the fruits of technology so as to raise the whole level of productivity.

Nisar Ahmad \cite{14} [1937] has made an effort to critically examine, both at micro and macro levels, the operational and other problems of the small-scale and cottage Industries in India with special reference to the state of Jammu and Kashmir.
Sandesara (1988) made a study of assistance programmes for small-scale industries. The study revealed that units producing items in the reserved list did not show away superior performance over other units, mainly because the easy entry for new small-scale units had intensified the competition among the small units.

Ram Vepa (1988) in his study discusses the growth of small-scale Industry, organisational structure, some key issues, and field planning for small-scale Industry and its prospectus for nineties.

Nasir Tyabji (1989) analyses the structure of small-scale Industries and role of small Industry policy as a component of the Indian development process and changes in the structure of Industry and nature of small enterprise development.

Sidhartha Shankar Dash and others (1990) in a study under taken in Balasori district in Orissa attempt to analyse the operational problems in launching SSI units. They conclude that although policies are good, often delay in implementation and faulty implementation upset the entrepreneur’s plan and in many cases lead the production process to a stand still.

Theophilus (1990) observed that the operation of SSIs in India and Nigeria encounter similar incidences and show the same environmental characteristics for their progress. He suggests that there should be a separate ministry exclusively for SSIs at the central level headed by a central minister in both countries.

Sharma (1990) in his study made an effort to make an over view of sports goods Industry, Micro Industry of selected centres, problems at different levels, role of institutions and future perspective.
In a study conducted by Berry, Albert and Mazumdar Dipec (1991) states that small-scale industry has been important in the successful development of many of the economies of East and South Asia, both in cases like Japan, Korea and Taiwan where import-substitution preceded and/or accompanied the manufactured exporting phase and in Hong Kong, the only essentially Laissez Faire economy in the region. An important general characteristic of the small-scale sector, and one long commented upon in the Japanese case, is the prevalence of subcontracting relationships either with larger manufacturing firms or with traders.

Tambunan Tulus (1991) examines the role of small-scale Industries in Economic development of Indonesia. This survey as the macro-level leads us to a much less pessimistic view of the performance of SSI units in Indonesia though obviously imperfections in comparison with medium and large-scale Industries do exist. It also gives attention to a critical question of appropriate policies needed to support this sector.

Steel William. and Webster Leila. (1991) investigates the hypothesis that small enterprises play an important and dynamic role in the structural adjustment process and in Africa's Industrial development. It discusses the role of small enterprises in the industrial development and introduces the adjustment context, the evolution of large and small-scale Industry in Ghana, and the Economic recovery program and its impact.

A study conducted by Benjamin Solomon (1991) explores the small-scale Industry that has grown and thrived in informally developed communities of rudimentary buildings and dirt roads surrounding the city of Delhi. It presents an overview of Delhi's informally developed suburbs, called unauthorised colonies, discusses their growth and
regularisation, and introduces the setting in which small-scale manufacturing exists within such colonies.

Dias Syrian (1991) examines the scale, nature and effects of current sub contracting linkages between small and large Industries in Sri Lanka. In general weaker relationships exist between large and small industries, however strong links exhibit with respect to more organised few large firms. The reason for this weaker relationship is the immaturity of small Industries in meeting the requirements of large Industries in terms of technology, production cost, and quality and delivery services.

Prem Kumar, Asit Ghosh (1991) in their study on management of small-scale Industry explains the management practices and performance of small-scale Industries and their relationship with demographic features, production, planning and control of SSI, financial planning and control and Institutional structure for assistance of SSI and also the technology change for SSI.

Balla (1992) in his study discusses the centralised vs. decentralised policy towards small and medium enterprises, technological policy for small and medium enterprises in China.

Jamuar (1992) in his study discusses the development of small-scale and cottage Industry in India and the role of small-scale Industry in India, the present position and problems of small-scale Industry with special references to Industrial sickness, government policy and measures to develop small-scale and cottage Industry and new Industrial policy on small-scale and cottage Industry.

Rama Swamy (1993) in his study examines three hypothesis regarding small- scale manufacturing units, namely: small firms use more labour per unit of capital,
they produce more output per unit of capital and small firms use resources more efficiently than large firms in terms of total Factor Productivity. The analysis indicates that capital intensity and partial productivities are sensitive to alternative measures of firm size, and total factor productivity are not found systematically related.

Ahmad Jaleel 30 (1993) made an attempt to throw light on the question as to whether trade and industrial policies in developing countries discriminate against the development of small and medium scale industry. This is done by a detailed examination of the structure of tariff and non-tariff Protection as well as industrial policy measure, such as foreign exchange allocation and licensing.

Venugopal 31 (1993) observed that Governmental agencies set up for promoting village and cottage Industries are inactive and their performance is below the level of expectations. He argues that the survival of village and cottage industries depends on their ability to become competitive. Their efforts should be to reduce cost and improve quality through technological upgradation.

Ramabijoy 32 (1993) in his study analyses government support, capacity under utilisation marketing and financing power and transport of small-scale Industries and also the entrepreneurship and management of sickness.

Pillai 33 (1994) in his study analysed the future role of small-scale sector in the evolving economic setting and the challenges it may have to face to sustain its place as an important contributor to the development process.

Thomas.T.Thomas 34 (1994) states that there is a need for extensive education of the small-scale industrial units promoters in general management and specifically in the fundamentals of marketing management.
Rao (1995) reported that the potential for investment related to technology requisition and transfer in small-scale and medium sector has assumed considerable significance in their interest to face the challenges of liberalisation and globalisation of markets.

Schmitz, Hebert (1995) in their study are concerned with the growth of small local industry in developing countries and explores one particular route for understanding and fostering such growth. It focuses on the clustering of firms and the competitive advantage, which they derive from local external economies and joint action, captured in the concept of collective efficiency.

The international prospective planning team (1995), which made an extensive study of India's small-scale industries, was of the opinion that Government efforts for the promotion of this sector were largely scattered and dealt with only isolated segments of the problem.

Paras and Kushik (1997) have traced out locus of comprehensive policies and programmes of the small-scale sector during the 50 years of independence.

Salim (1998) in his study proves that in most categories of industries there is more number of high performing units followed by moderate performing units. High performing units have more market orientation than low performing units. There is a strong positive correlation between market orientation and business performance.

Sindhu Hina (1998) in their study state that, employment generation has increased over a period of time. The other findings of the study are related to decline in employment in the household industries, and a decline in the contribution of the large-scale sector to employment generation.
A study conducted by Hayami, Yujiro, and others \(^{41}\) (1998) reveal that marketing channels be established which connect small rural producers with large urban and/or foreign demand. This study investigates various forms of production and trade contracts being practiced at the grass root level in the metal craft manufacturing industry on the outskirts of Greater Manila in the Philippines.

Balasubrahmanya \(^{42}\) (1998) in his study describes the elements of India's small industry policy with specific reference to protective measures, and reviews its impact on the growth and efficiency of the sector.

Datey \(^{43}\) (1999) in his study titled practice manual to small-scale Industries discusses the importance of small-scale industries, clubbing of clearances of SSI and an overview of income tax, central sales tax, Finance to SSI and management of SSI units.

Mathew \(^{44}\) (2000) reports that small Industry policy in India is ambivalent. Divergence of interests and their expression through lobbying is a characteristic of any democratic policy. It is also not correct to consider the government as a machinery to immune such influences.

Vasandhara Raje \(^{45}\) (2000) states that credit is an essential input for the working of small-scale Industries. Any delay or inadequate supply of credit is detrimental to the growth of the SSI units. Therefore timely and adequate availability of credit is of crucial importance for setting up and for expanding the existing SSI units.

Moli. Koshy and Mary Joseph \(^{46}\) (2000) in their study reported that the considerable increase in the number of women entrepreneurs is a result of the various support measures extended by governmental and non governmental agencies and the changing attitude towards women entrepreneurship. However, women entrepreneurship
registers low level in backward districts of Wynad, Kannur and Kasargod Specific programme may be implemented in these areas to increase the level of entrepreneurship.

Suni George 47 (2000) in his study observed that the policy of protection with privileges for SSI has induced this sector to remain small, to become more inefficient with poor product quality. It is not protection but competition should be the rule of the day.

B. Studies Evaluating the Functional Performance of Institutions Financing SSI Units

There are a number of studies evaluating the functioning of institutions that have been set up for the purpose of promoting small-scale industries. These are:

Suresh Chandra Jain 48 (1973) in his study emphasizes the need for greater Co-ordination of financial Institutions and non-financial Institution and agencies engaged in the promotion of small-scale Industries.

Pritam Singh 49 (1976) in his study argues that some incentives for e.g.: Capital subsidy schemes of the central and state government based on capital cost of fixed assets are not favourable to labour intensive units. It could be related to number of persons employed in the unit.

Murthy 50 (1980) points that though the problem of SSI is a multi dimensional one, it is revolving around the availability of adequate finance, more so with working capital. Unless the financial institutions mend themselves they cannot move hand in hand with SSI in solving it's problem sympathetically as a friend, philosopher, and guide for the much talked about rural industrialisation, balanced regional development et.
S. Ravi Prakash Singaravelu \textsuperscript{51} (1982) pinpoints the need to establish national level institutions or institutions at state level to finance tiny units, which come within the scope of small-scale sector. He also states that the loan should be project based, not security based.

Prahald Kumar Suman \textsuperscript{52} [1986] examine the overall performance of the Bihar state Industrial development Corporation and expresses systematically and scientifically the troubles faced by the corporation.

Sandesara \textsuperscript{53} [1988] describes the Institutional framework for the small and medium Industries in India. The impact of assistance on firms in this sector and the working of these institutions are also analysed. He argues for a fresh approach to the institutional set-up and policy framework for this sector.

Rao \textsuperscript{54} [1989] makes an enquiry into the functioning of all state Industrial Development Corporations in India with a view to find out to what extent the objectives have been fulfilled. The causes for good and poor performance are also identified.

Akram \textsuperscript{55} [1977] in his study pinpoints the working results of the SSI corporation of various states and their national counterpart, national small Industries Corporation.

C. Studies Discussing the Financial Problems of SSI

The seminar conducted by the Reserve Bank of India \textsuperscript{56} (1959) on financing the small-scale Industries in India went deep into the problems of small-scale Industries, the Institutional set-up, role of government in assisting small-scale industries, resources of credit institutions and miscellaneous issues.
Narayanan 57 (1964) in his thesis discusses the financial problems faced by Industries in general and recommends the setting up of an Industrial development Bank at the state level for mitigating the problems.

Inderjith Singh & Gupta 58 (1977) state that the expansion of the bank credit is not only desirable but also essential for the economic development of Jammu and Kashmir. Commercial banks have to take up this task of credit expansion on a challenging basis and should exploit the tremendous potentiality by establishing personal contact with small industrialists.

Study conducted by Papola and Tewari 59 (1981) on the impact of concessional finance on industrial development of backward areas found that the concessional finance was one of the important considerations in the location of new units in the backward districts.

Report of high-level committee 60 (1984) on trade and power states that, on the credit front, the efforts of Kerala Financial Corporation and banks were found to be inadequate and were riddled with delays and too many formalities.

Samara Kumar Misra 61 (1984) in his study states that due to lack of co-ordination between DIC personnel and implementing agencies, procedural delays, non-availability of services of important agencies and lack of entrepreneurship, the present system is not functioning well.

Kalchetty Eresi 62 (1989) throws light on the various sources of long term and short-term finance and the problem faced by the units in raising such funds. He also enquires into the policies procedures and practices of small units in managing their finance.
Ashok Arora 63 (1992) in his study examines the role of various institutions at the state level responsible for rendering assistance for the growth of small-scale industries in Punjab. This study also outlines a profile of the growth of small-scale industries in Punjab.

James Manalel 64 (1994) reported that the working of banks and financial institutions showed that the total assistance made available in Kerala for SSI units was comparatively small. The effectiveness of any incentive packages, however well designed it may be, depends on the quality of the system of delivery. The state has comparable package on record, but the quality of delivery of the same was perceived by the entrepreneurs to be poor in relation to what units in other states get.

Prasad 65 (1995) in his study states that, there has been a steady growth in the flow of institutional finance to SSI during the last two decades. But inadequate access to credit both short term and long term remain a perennial problem of the small-scale sector.

Himachalam, Jayachandran, Narendra Kumar 66 (1995) in their study on financing of small-scale units by Andhra Pradesh State Finance Corporation reveals that though the state financial institutions came into existence to promote small-scale units, their effort to extend financial, managerial and technical assistance have been far from satisfactory, and they have failed to fulfill the expectations.

Bagchi 67 (2000) reports that though the small-scale sector contributes significantly to industrial output, employment and earning of foreign exchange it suffers from severe technological obsolescence and lack of economies of scale. The small industries development organisation under the ministry of SSI and ARI has been
providing institutional support for the promotion of technology but in a vast country like India these facilities are inadequate.

D. Studies Analysing the Role of Financial Institutions

Basu (1957) makes an attempt to examine the financial problems of small-scale industries and assess their place in the country's Second Five Year Plan. The study highlights the role of SFC in financing small-scale industries.

Suresh Chandra Jain (1971) in his work analyses in detail the problems of institutional finance for small-scale industries in the state of Utter Pradesh.

Sharma (1973) in his study explains industrial financing by national level financial institutions. It also discusses the role of the state financial institutions in financing industries of Bihar. He suggests that the financial institution should act as a guide philosopher and promoter of industries and recommend the setting up of small industries bank.

Jit Singh Chandan (1976) observed that there is very little effort on research and development in industries for traditional items. The glaring needs in management are in respect of training in capital, investment, and costing, and budgetary control.

Pareek (1978) in his work reveals the role of financial institutions and state agencies in extending credit to small-scale units and pinpoint their attitude of indifference in catering to the need of the tiny units. He suggest that financial institutions have to tune their policies in consonance with the needs of small-scale sector in general and the smaller among small-scale units in particular.
Natarajan 73 [1983] examines the trends in institutional financing to SSI units in Andhra Pradesh for a period of decade commencing from 1970.

Radhey Shyan Singh 74 [1986] in his study makes an analytical survey of the institutional sources of finance to the SSI and other small / tiny units, after critically examining the various aspects of the functioning of the financial institutions for the growth of the small-scale sector.

Ram Dawar 75 [1986] has made an attempt to examine and appraise the operation of the hire purchase schemes of the national small Industries corporation and the state small industries corporation, particularly the Andhra Pradesh small-scale industrial development corporation.

Agarwal 76 [1987] reports that the Indian banking system has failed to extent appropriate amounts of loan to SSI. He is of the opinion that lending institution should be more practical and flexible in their attitude rather than strictly legal with a view to enabling the borrowing units to overcome any temporary difficulties.

Raghurama 77 [1991] tries to analyse the problems faced by small-scale units while availing themselves of bank finance. The problems faced by the bankers and the procedures adopted by the bank in extending finance are also examined.

Ganesh Kumar 78 [1993] in his study observed that KFC has disbursed more amounts of loans and all the loans are of long term nature. The Cost and terms of the loan from KFC are found to be more attractive. In addition obtaining loan from KFC is found to be less difficult process. Despite all these positive factors, it is observed that KFC has made less impact on the development of SSI in Kerala.
Sharmila Dayal \(^79\) (1996) reported that the available resources of Uttar Pradesh Finance Corporation [UPFC] has increased manifold during the period of study yet it failed to cope with the growing needs of industrialisation of the state.

Vasant Desai \(^80\) (1997) reviews the institutional framework for promoting small-scale industries in India. The institutional framework for the promotion of small-scale industries aims at fostering the small-scale sector by solving their problem.

Kulkarni and Kaveri \(^81\) (2000) examine the need for support and extension services in accelerating its growth such support and extension services include, market intelligence, marketing services, modernization, technology upgradation, quality testing etc. It is also attempted to discuss the available institutional network in India to provide support and extension services.

Parag Pande \(^82\) (2000) in his study emphasis the need for extension of definition of small-scale Industry and revitalising the law governing small-scale Industry and recommended the setting up of growth centres to provide adequate infrastructure facilities.

E. Studies on Sickness of Small-Scale Industries

Reddy \(^83\) (1988) in his study on sickness in small-scale Industry states that the existence of large magnitude of nonviable sick units is a threat to industrial progress; there is an urgent need to review the situation and take remedial measures.

Abraham \(^84\) (1991) reports that the success or failure of any small enterprise depends mainly on the entrepreneur, support system and the environment. He stressed that the success or failure is determined mostly by the human element involved in industrial enterprise.
Panda and Meher (1992) studied sickness of the SSI sector in Orissa state—sectorwise growth of sickness in the SSI units between 1979 and 1987. It is seen that Industrially backward states like Bihar, Orissa Andhra Pradesh, Madhya Pradesh and U.P have high rate of sickness that of industrially advanced states like Gujarat, Maharashtra West Bengal and Karnataka.

HariKumar (1994) in his doctoral thesis states that the industrial sickness is spreading in the country at an alarming rate. Compared to other sector, the incidence of sickness is significantly higher in the SSI sector. Sickness is growing at an alarming rate in southern region of India. Kerala witnessed phenomenal increase in sickness. In Kerala entrepreneurs lack entrepreneurial culture and heritage, Entrepreneurship Development Programme are not achieving desired results.

At a seminar on prevention and cure of sickness among SSI units held in 1990 at Hyderabad, it was stated that experience from Kerala shows that an overdose of incentives was one of the main reason for turning healthy units in to sick units N G O, reports (1996) that the high incidence of sick units in this sector was largely due to inconsiderate banking policies, the financial institutions must play a more active role in keeping track of the financial status of the units.

Despite the large number of studies conducted on various aspects of small-scale industries no comprehensive study has been undertaken to find out whether SIDBI have made an impact on the promotion and growth of small-scale industry in Kerala. SIDBI is an institution specially promoted by the Central Government for the development of small-scale industry in India. The present study is an attempt to fill the gap.
Notes

**Studies examining the general problems and prospectus of small-scale units**


34. Thomas T.Thomas, Marketing Channels of SSI Units Manufacturing Selected Food Products in Ernakulam (DT), Ph.D thesis, Cochin University, 1994.

35. N.K.A. Rao, Small is Beautiful Technology Transfer in SMES Sector, Laghu Udyog Samachar, April 1995 P. 3 – 6


42. M.H Balasubramanya, Shift in India’s Small Industry Policy, Small Enterprise Development Vol 9 No: 1, March 1998, P. 34 – 45.


**Studies Evaluating the Financial Performance of Certain Institutions**

**Financing SSI Units**


Studies Discussing Financial Problems of SSI

**Studies Analysing the Role of Financial Institutions**

71. Jit Singh Chandan, "Development of Small-scale Industry in India and the Role of Foreign Assistance" Ph.D Thesis, Faculty of Management Studies University of Delhi, Delhi, 1988


82. Parag Pande, “SIDBI Role in the Growth of SSI in the New Millennium” Faculty of Management Studies, University of Delhi (MBA Project report), 2000.

Studies on Sickness of Small-Scale Industries.


84. Abraham.V.L, Industrial Sickness-A Study of the Reasons and Causes for Industrial Sickness Among the Small-Scale Industries in Kerala, School of Management Studies, Cochin University, Cochin, 1991.


